Transcript of
D.R. Horton
D.R. Horton Q4 2026 Earnings Conference Call
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Participants

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Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.
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Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

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Presentation

Operator

Good morning, and welcome to the fourth quarter 2026 earnings conference call for D.R. Horton, America's Builder. At this time, all participants are placed on a listen-only mode. [Operator Instructions] And we will open the floor for your questions and comments after the presentation.

I will now turn the call over to Jessica Hansen, Senior Vice President of Communications for D.R. Horton.

Jessica Hansen - Senior Vice President, Communications, D.R. Horton, Inc.

Thank you, and good morning. Welcome to our call to discuss our fourth quarter and fiscal 2026 financial results. Before we get started, today's call includes forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Although D.R. Horton believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. All forward-looking statements are based upon information available to D.R. Horton on the date of this conference call, and D.R. Horton does not undertake any obligation to publicly update or revise any forward-looking statements. Additional information about factors that could lead to material changes in performance is contained in D.R. Horton's annual report on Form 10-K and its most recent quarterly report on Form 10-Q, both of which are filed with the Securities and Exchange Commission.

This morning's earnings release and supplemental data presentation can be found on our website at investor.drhorton.com, and we plan to file our 10-K in about three weeks. Please note that we are now posting our supplementary data presentation at the time of our earnings release. After this call, we will also post our updated investor presentation for your reference.

Now, I will turn the call over to Paul Romanowski, our President and CEO.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Thank you, Jessica, and good morning. I am pleased to also be joined on this call by Mike Murray, our Chief Operating Officer, and Bill Wheat, our Chief Financial Officer. This year, the D.R. Horton team completed our 25th consecutive year as America's largest builder by volume and had the privilege of providing homeownership to more than 84,000 individuals and families, including approximately 43,500 first-time homebuyers.

In total, our home building and rental operations provided more than 89,000 families a place to call home during fiscal 2026. For the fourth quarter, our consolidated pre-tax income was $1 billion on revenues of $9.4 billion, with a pre-tax profit margin of 10.8%. For the year, our consolidated pre-tax income was $3.9 billion on revenues of $33 billion, with a pre-tax profit margin of 11.8%.

In fiscal 2026, we generated $3.5 billion of cash from operations and returned $4.1 billion to shareholders through repurchases and dividends. Over the past five years, we've generated $14 billion of operating cash flow and returned all of it to shareholders, reflecting consistent execution, operational efficiency, and disciplined, balanced capital allocation. We work every day to leverage our industry-leading platform, unmatched scale, efficient operations, and experienced teams to bring homeownership opportunities at affordable price points to more Americans.

63% of the D.R. Horton homes that our mortgage company financed this quarter were to first-time homebuyers. Our teams continued to manage each community based on local market conditions, adjusting pricing and incentives to meet demand and

maximize returns. New home demand came under increased pressure in the fourth quarter as mortgage rates rose sharply, which further constrained affordability while consumer sentiment remained cautious.

Our net sales orders were 7% lower than the prior year quarter, and our home sales gross margin was below our expectations. In response to the more challenging market conditions, we reduced our starts from the June quarter to better align our inventory with demand. Our cycle times remain near historical lows, providing us with greater flexibility to respond to changes in demand while operating with fewer homes in inventory. We will continue to manage our inventory levels closely while maintaining enough homes available for sale to meet demand in each of our communities. We are well positioned to drive future growth and stronger returns when market conditions improve. Mike?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Net income for the quarter was $741.8 million, or $2.67 per diluted share on consolidated revenues of $9.4 billion. For the year, net income was $2.9 billion, or $10.11 per diluted share on revenues of $33 billion. Home sales revenues in the fourth quarter totaled $8.4 billion on 22,915 homes closed. Our average closing price for the quarter was $365,600, up 1% sequentially and flat compared to the prior year. Our average closing price was approximately $135,000, or 27% below the average price of a new home in the United States, reflecting our continued focus on affordability. Bill?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Net sales orders in the fourth quarter decreased 7% from the prior year quarter to 18,619 homes, and order value declined 9% to $6.6 billion. The average price of net sales orders was $356,600, down 2% sequentially and year-over-year. Our cancellation rate for the quarter was 23%, compared to 20% sequentially and year-over-year. Our average number of active selling communities increased 2% sequentially and 10% year-over-year. Jessica?

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Our gross profit margin on home sales revenues in the fourth quarter was 19.5%, down 120 basis points sequentially from the June quarter and below our expectations. Market conditions became more challenging as the quarter progressed, which limited our ability to offset higher costs with pricing, resulting in 80 basis points of the decline. Above normal litigation costs accounted for the remainder of the decrease.

On a per square foot basis, home sales revenues and stick and brick costs were each up 1% sequentially, while lot costs increased 4%. For the full fiscal year, home sales revenues declined 2%, stick and brick costs declined 4%, and lot costs increased 6%. We expect continued pressure on our home sales gross margin in the first quarter,

reflecting a lower average sales price and higher incentive costs at current mortgage rates, and we expect our incentive levels to remain elevated in fiscal 2027.

Both incentive levels and our full-year home sales gross margin will depend on the strength of demand during the spring, changes in mortgage rates, and other market conditions. Bill?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Our fourth quarter home building SG&A expenses increased 7% compared to the prior year quarter, and SG&A expense as a percentage of revenues was 8.7%, up 80 basis points. For the year, home building SG&A was 8.9% of revenues, up 60 basis points. Our annual home building SG&A expenses grew 4%, primarily due to the expansion of our operating platform, in addition to higher advertising costs and technology investments.

We remain focused on managing our cost structure with discipline to gain market share efficiently while preserving the platform we've built. We expect to return to SG&A operating leverage when revenue growth resumes and our community absorption rates stabilize. Paul?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

We started 13,100 homes in the September quarter, down 45% sequentially and 10% from the prior year quarter to align with the current sales environment. We ended the year with 28,200 homes in inventory, down 26% sequentially and 5% from the prior year quarter. Of those homes, 17,700 were unsold at September 30th. 8,800 of our unsold homes were completed, including 600 that had been completed for more than six months.

For homes we closed in the fourth quarter, our median cycle time, measured from home start to home close, increased by roughly 10 days from the third quarter, but was down slightly from a year ago. Our cycle times remain near historical lows, enabling us to operate with fewer homes in inventory and turn our housing inventory more efficiently. We will continue to manage our homes in inventory and start space based on market conditions. Mike?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Our home building lot position at year-end consisted of 571,000 lots, of which 23% were owned and 77% were controlled through purchase contracts. We actively manage our investments in lots, land, and development based on market conditions. We remain focused on relationships with land developers across the country so we can build more homes on lots developed by others. This approach enhances our capital efficiency, returns, and operational flexibility.

Our owned lot position of 131,000 lots is down 11% from a year ago and represents a one and a half year supply. In the fourth quarter, 70% of the homes we closed were on lots developed by either Forestar or a third party, up from 65% in the prior year quarter.

Our fourth quarter home building investments in lots, land, and development totaled $2 billion, of which $1.4 billion was for finished lots, $500 million was for land development, and $120 million was for land acquisition. For the year, our home building investments in lots, land, and development totaled $8.2 billion. Paul?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

In the fourth quarter, our rental operations generated $647 million of revenue from the sale of 509 single-family rental homes and 2,182 multi-family rental units. The rental segment's pre-tax loss of $25.3 million for the quarter includes $91.4 million of inventory impairment charges related to nine completed multi-family projects. The impairments primarily reflect our lower sales price expectations due to the recent increases in interest rates.

For the full year, our rental operations earned pre-tax income of $18.2 million, or $110 million, excluding the impairment charges, on $1.2 billion of revenues from the sale of 2,073 single-family rental homes and 2,737 multi-family rental units. Our rental property inventory at September 30th was $2.6 billion, down 3% from the prior year, and consisted of $291 million of single-family rental properties and $2.3 billion of multi-family rental properties. We continue working to improve the capital efficiency and returns of our rental operations and expect our rental inventory balance to remain at or below its current level during fiscal 2027.

Turning to our financial services operations, pre-tax income for the fourth quarter was $78 million on $219 million of revenues, resulting in a pre-tax profit margin of 35.7%. For the year, financial services earned $258 million on pre-tax income on $817 million of revenues, with a pre-tax profit margin of 31.6%. Mike?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Forestar, our majority-owned residential lot development company, reported fourth quarter revenues of $581 million on 5,004 lots sold, with pre-tax income of $79 million and a pre-tax profit margin of 13.5%. For the full year, Forestar delivered 13,545 lots, generating $1.6 billion of revenues and $192 million in pre-tax income, with a pre-tax profit margin of 11.7%. 66% of Forestar's owned lots are under contract or subject to a right of first offer with D.R. Horton.

During the fourth quarter, we purchased $465 million of finished lots from Forestar. Forestar has a strong, separately capitalized balance sheet with $1.3 billion of liquidity, and its national operating platform and lot supply position it well to provide essential finished lots to the home building industry and continue gaining market share over the next several years. Bill?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Our capital allocation remains disciplined and balanced, supporting an operating platform that consistently generates substantial operating cash flows and attractive returns through market cycles. We maintain a strong balance sheet with low leverage and healthy liquidity, providing significant financial flexibility to adapt to changing market conditions and opportunities.

At September 30, we had $7.2 billion of consolidated liquidity, consisting of $2.1 billion of cash and $5.1 billion of available capacity on our credit and mortgage repurchase facilities. Consolidated debt at the end of the quarter totaled $6.1 billion, including $600 million of 1.3% home building senior notes that we repaid at maturity in October. We have no other senior note maturities in fiscal 2027. Our consolidated leverage at fiscal year-end was 20.8%, and we continue to target leverage of around 20% over the long term.

During fiscal 2026, consolidated cash provided by operations was $3.5 billion, representing 11% of consolidated revenues, similar to 10% in fiscal 2025. We distributed $4.1 billion to our shareholders through share repurchases and dividends during fiscal 2026. During the quarter, we repurchased 9.4 million shares of common stock for $1.4 billion, and for the full year, we repurchased 24 million shares for $3.6 billion, which reduced our outstanding share count by 8% from a year ago.

We also paid cash dividends of $125 million during the quarter and $513 million during fiscal 2026. Our fiscal year-end stockholders' equity was $23.1 billion, down $1.1 billion, or 4% from a year ago, while book value per share increased 4% to $85.14. In fiscal 2027, we expect to further reduce our outstanding share count through share repurchases, which provide support to our future earnings per share.

Based on our financial position and cash flow expectations, our board declared a new quarterly dividend of $0.50 per share, an 11% increase from our prior quarterly dividend, making fiscal 2027 our 13th consecutive year of growth in our dividends per share. Jessica?

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Looking ahead to fiscal 2027, we expect affordability constraints, higher mortgage rates, and cautious consumer sentiment to continue to pressure new home demand. Given the uncertainty in these conditions and the broader economy, our initial fiscal 2027 guidance reflects wider ranges than usual.

As outlined in our press release this morning, for the full year of fiscal 2027, we currently expect to generate consolidated revenues of approximately $30 billion to $32 billion, and homes closed by our home building operations to be in the range of 79,000 to 84,000 homes. We forecast an income tax rate for fiscal 2027 of approximately 25.5%. We expect to generate approximately $3.5 billion of cash flow

from operations in fiscal 2027, and we currently plan to repurchase approximately $3 billion of our common stock, in addition to paying dividends of around $500 million.

For our first fiscal quarter ending December 31st, we currently expect to generate consolidated revenues in the range of $5.9 billion to $6.4 billion, and homes closed by our home building operations to be in the range of 15,500 homes to 16,500 homes. We expect our home sales gross margin for the first quarter to be in the range of 18% to 18.5%, and our consolidated pre-tax profit margin to be in the range of 7% to 8%.

Finally, we expect our income tax rate for the first quarter to be approximately 25.5%. Paul?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

In closing, our results and position reflect the strength of our experienced teams, industry-leading market share, broad geographic footprint, and focus on delivering quality homes at affordable price points. These key components of our operating platform support our ability to adapt to the current challenging market, gain market share, generate meaningful operating cash flows, and consistently return capital to shareholders while being well-positioned for future opportunities. We will stay disciplined as we navigate the current housing market and broader economy and keep our focus on delivering long-term value for both our home buyers and shareholders.

Finally, I want to thank the entire D.R. Horton family, our employees, land developers, trade partners, vendors, and real estate agents for your dedication and hard work. Let's continue working to improve our operations and provide homeownership opportunities to more individuals and families. This concludes our prepared remarks. We will now host questions.

Operator

Certainly. Everyone, at this time we will be conducting a question-and-answer session. [Operator Instructions] Your first question is coming from Steven Kim from Evercore ISI. Your line is live.

Q: Thanks a lot, guys. Appreciate all the color that you have given so far. I guess my question is, let's start with the gross margin guide here, 18% to 18.5%. Obviously, you are materially lower, and you explained all the reasons why, given the market conditions. But as I think way back, once upon a time, I think you all talked about a gross margin of, call it 20% being kind of normal.

And if I recall correctly, you indicated at that time that sort of higher-end product that you were building back then would be kind of at the higher end, let's call it 22% or something like that, and the lower-end product might be somewhere around 18%. As so, as I use that as kind of a backdrop to the 18% to 18.5%, I am curious how you think about the gross margin that you are going to experience in the first quarter

relative to sort of a longer-term perspective on where you think your profitability is likely to be.

Should we think that 18 handle kind of gross margin is kind of appropriate on a longer-term basis, given the fact that your product mix is skewing a little bit more entry-level now than maybe it did when you were giving those comments earlier?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

No, Steve, I feel that the 18% to 18.5% is more indicative of the current market conditions that we see. Our incentives remain elevated well above our historical norm. With a rise that we saw in rates throughout the market, the additional pressure that we are seeing from just consumer confidence not being where it is. We still see the buyers out there with a want, just having a hard time moving forward. We have had to incentivize a little more to keep moving homes that we had started in the second and the third quarter. But I do still feel like we have a long-term opportunity to realize a higher than 18% to 18.5% gross margin on a go-forward basis. It is just indicative of what we are seeing in the market today.

Q: Yeah, that's fair. I guess maybe another way of asking a question around that is, what kind of mortgage rate are you anticipating or envisioning in your outlook, not just for the quarter, but also you gave some commentary particularly around cash flow for the year. What kind of mortgage rate environment are you envisioning?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

I think that anticipating it to go down isn't prudent at all. As we look at our guide for the year and expect that we're going to continue to see elevated rates, we'll see how that progresses through the spring. We'll see what happens as the spring comes about and what happens with consumer confidence. If we see some stability in the geopolitical environment, we see some reduction in gas prices and some other things that bring that back, we think that'll help with the market, but not expecting to see much reduction in rates in the near term.

Q: Okay. So you are assuming some of those other factors, sort of the psychological factors and so forth, sentiment measures might improve, but not necessarily rates. Is that what you're saying?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Correct.

Q: Thanks very much, guys. Appreciate it.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Thanks you.

Operator

Thank you. Your next question is coming from Alan Ratner from Zelman. Your line is live.

Q: Hey, guys. Good morning. Thanks for the details so far. First question, maybe just touching a little bit on the supply chain and what you are seeing there. I think this is the first quarter in a while where you guys saw an uptick in construction costs as well as an increase in cycle time. So was hoping you could talk a little bit more about what you are seeing there. Is that a function of some of the labor tightness/ICE raids we have been hearing about? Is it some other factors in the material supply chain? And where do you see that going in 2027?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc

I think what we saw in the fourth quarter deliveries on homes was some lumber prices that occurred, increases that occurred earlier in the year, came through the production process and put some upward pressure on our stick and brick cost. More broadly, we probably saw a little bit of labor inflation. We have seen where there have been different levels of various regulation and enforcement, a little bit of labor shortage and additional cost to bring that labor to the job site, community by community.

Jessica Hansen - Senior Vice President, Communications, D.R. Horton, Inc.

So in terms of our first quarter guide, it would assume that our stick and brick costs are flat to slightly up, and we continue to expect our lot costs to be flat to slightly up sequentially and continue to be up on a year-over-year basis for the next couple of quarters.

Q: Got it. Very helpful, thank you. Second question, just trying to bridge a little bit your cash flow guide for 2027 versus at least the margin commentary for Q1, because if I look at your revenue guide for the year, it is going to be down a little bit. It sounds like margins, at least to start the year, are going to be down a couple hundred basis points year-over-year, yet your cash flow guide for the full year at $3.5 billion is pretty similar to what you have been generating the last several years. So is there a positive offset to what is presumed to be pressure on earnings that is allowing you to hold your free cash relatively steady?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Yes. We see opportunity to continue to improve the efficiency of our balance sheet. As we have improved our cycle times, we are able to operate and turn our inventory more

quickly, so we are able to operate with fewer homes in inventory than we have historically. There is still opportunity to pull some dollars out of the balance sheet there, as well as in our rental operations. We expect those asset levels to be a bit lower in the coming year as we continue to improve the efficiency in that business. That provides additional cash flow sources beyond the P&L in fiscal 2027.

Q: Appreciate it. Thanks a lot.

Operator

Thank you. Your next question is coming from John Lovallo from UBS. Your line is live.

Q: Good morning, guys. At the midpoint, you are forecasting consolidated revenue to be down about 6% year-over-year, with deliveries down about 3%. So just curious what the 3 percentage point delta is. Is that ASP? Is that rental? Is that financial services? Any help there would be appreciated.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Sure, John. It's predominantly being driven by a lower expected ASP. If you look at our sales in the quarter, our ASP was down to $356,600. And we typically wouldn't forecast an improvement in our ASP until we actually see it show up in our results and so even if you flatline that for the year, our revenues are going to be down.

Q: Got you. Then, I guess, more broadly, look, we have had two consecutive years of pretty serious exogenous shocks during the spring selling season, with Liberation Day on April 2, 2025, the Iran war on February 28, 2026. So I guess, in the absence of a third consecutive shock, it appears to us that the spring selling season is set up at least better than it has been over the prior two years. Would you agree with this, despite your preliminary forecast for volume to be slightly down year-over-year?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Yes. I think, as I've said, we still have buyers out there with a strong interest in moving forward. We see traffic, although traffic's down a little bit. We're not in a situation where we just don't have people in our sales offices and looking for a home today. There's just a lot of noise today out there, and the consumer sentiment, people are just held back from moving forward. We'll see how the spring comes. It would be nice to go through a spring without an additional shock or something coming out there so that people can settle down and move forward with their home purchase.

Q: Okay. Thank you

Operator

Thank you. Your next question's coming from Sam Reid from Wells Fargo. Your line is live.

Q: Specifically Q4 to Q1 bridging. Curious what you're embedding with respect to rate buydown activity, especially as rates ticked up in September. Are you holding your rate buydowns at a specific level of interest rate, or are you holding that spread between the prevailing market rate and the buydown? Just curious how you're running that.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

As rates moved up through the quarter, we did move the rate that we are offering on a buydown up a little bit, and we will continue to do that. So we kind of follow the market. The timing of that just depends on where we are with our builder forwards and everything else. But, yes, we moved the rate up throughout the quarter. And we would expect to stay at about a point and a half below market is kind of where we have been averaging.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

And we have continued to see high 80s to low 90% of our mortgage company buyers get that rate buydown, so I think our anticipation would be it stays in that range as well.

Q: That is really helpful. Then maybe could we just quickly touch on that comment about traffic being lower. Maybe give us a sense as to how traffic trended during the quarter. I would assume it probably fell off in September, but just curious if you could put a finer point on that. And any comments on traffic and order volumes quarter-to-date.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.
Demand did weaken as the quarter progressed. Certainly, as we saw rates move up and as we moved into October, we have seen similar to what it was in September. So, traffic and sales activity is a little lower than what we would expect on a normal seasonal basis.

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

The traffic we are seeing is somewhat cautious and tentative, too, with their decision-making process. There is a lot of negativity in the news today that I think is restraining people from actually taking action. So, hopefully we will pass some of that at some point, maybe, and we see a little more urgency in the buyers' actions.

Q: Really helpful, everyone. Thanks so much. I will pass it on.

Operator

Thank you. Your next question is coming from Matthew Bouley from Barclays. Your line is live.

Q: Morning, everyone. Thank you for taking the questions. Question on sort of the old price versus pace. Obviously in Q4 and the Q1 guide, you have sort of ceded a bit of margin, guiding 2027 deliveries down, talked about lower starts and inventories in Q4 are coming down. Kind of going forward, is the intention that you may sort of go back to a bias of protecting margin as we kind of move past Q1? Or in other words, is there an intention of finding a stabilization in the 18s at the expense of volume? Or at the end of the day, that this is just going to be kind of simply market dependent? So how are you kind of thinking about that? Thank you.

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

It'll be market dependent at the community level, frankly, Matthew. The way we operate the business is community by community, we focus on finding that right balance of pace and price margin to try to maximize the returns we have in any given community. That's what all of our operators in the field are trying to do every day, every week as they're challenged, facing their market. Whether it's a tailwind or a headwind in that given market, they're looking to adjust to maximize the returns. And so it rolls up to that, and that's what we're kind of seeing going forward in the margin metrics and some of our delivery guidance, but it's going to happen at the community level.

Q: Got it. Okay. Appreciate that. And then secondly, I think you'd already mentioned a little bit on stick and brick, but just another one on that. You reduced starts by quite a bit. Obviously, recall last year, where part of the intention around reducing starts like that was to go back to your negotiations with the trade and with suppliers, et cetera. I guess, how is that sort of playing out this year and where do you think you can kind of pull back a little bit more on your direct costs? Thank you.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

We feel that's the same today. In other words, all day, every day, our operators are out working towards the best value we can deliver to our buyers, and that means working with our trades. The reality of what we're seeing in the market today, we did see significant reduction in starts this quarter, and really that was to balance our inventory with what we're seeing in the market and the fact that we just don't need to carry as many homes in inventory. So, we are continuing to work with all of our trades and with labor source, to drive to the best stick-and-brick value that we can put into our homes to continue to hit the price points that people need out there.

Q: Got it. Well, thanks, Paul. Thanks, everyone.

Operator

Thank you. Your next question's coming from Eric Bosshard from Cleveland Research. Your line is live.

Q: Good morning. In terms of affordability, obviously, or it appears that your assumption is that rates stay elevated with buydowns and incentives you're helping solve it. I'm just curious if there's anything structurally that you're evaluating or implementing into 2027 to solve affordability. Stated more simply, an opportunity to create lower-priced homes to address what the consumer's looking for.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

We're always looking to adjust the product that we're offering. We have that flexibility community by community, and as we plan for and develop new communities, so continuing to find if it is a smaller product and/or a smaller lot that allows us to hit a price point, and more importantly, a monthly payment that opens up homeownership. We continue to look at that continuously and consistently. I would expect that in the current environment, we'll continue to build more of our smaller homes in those communities because it's what gets to the monthly payment that opens up homeownership.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

To put some numbers around Paul's context, we're down 4% in our average square footage over the last five years, and we've also seen an increase in our number of attached closings. Predominantly, duplexes and townhomes are now roughly 16% of our mix versus 10% a year ago.

Q: Okay. Just the one follow-up, you commented, I think lot price is up 6%, and net selling price is down. It seems like at some point, those two numbers should go in a similar direction. Curious if on the lot side there's visibility or progress or traction of creating downward pressure on lot prices to match what's going on with selling prices.

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

The land market is usually pretty slow to reset, and a lot of the lots that we're delivering on now have already been developed, and so the cost is already set on those lots, both the land and the development cost. But with lower activity on those, we would expect to see future development activities come in at better pricing, absent fuel inflation, as well as the land residuals resetting a little bit to the current market conditions.

Q: Thank you.

Operator

Thank you. Your next question is coming from Anthony Pettinari from Citigroup. Your line is live.

Q: Good morning. Just following up on Matthew's question on stick and brick. So I guess, costs are down 4%, and I am just wondering if you can maybe disentangle labor versus building materials. And I think you talked about labor costs rising earlier. Just wondering where you are seeing the savings, if it is more on the building product side. Just trying to square those two.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Hard to put exact numbers on that spread. We kind of quarter-to-quarter, month-to-month, see changes in different labor prices and/or materials as we purchase them, have them locked in for a period of time, and then they may reset. As Mike mentioned, some of what we are seeing in this quarter's closings was the rise in lumber we saw earlier in the year. That comes through a little more latent. Just continuing to work on all of those. Certainly, increased fuel costs have caused for some short-term surcharges that we have needed to realize, and some of that may be what is showing up. But continuing to stay focused on both sides of it, the labor and materials.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

The 4% decline you mentioned is year-over-year. Sequentially, our stick and brick costs were up 1%, to Paul's point, of some of the more recent challenges.

Q: Okay. Okay, that's helpful. And then, I'm just curious, you obviously operate in a lot of markets with a lot of competitors, but is it possible to -- how do you see private homebuilders, maybe some of your smaller competitors, responding to this environment? Are some of them kind of dropping out of the market? Are there maybe opportunities for consolidation? Do you think you can just kind of hold share even in a kind of a declining market? I'm just kind of curious what the competitive dynamic looks like out there in a tougher demand environment.

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Well, anecdotally, we are seeing that there are more builder opportunities for us to talk with about where they see their business and how they can unlock the value they've created in their companies. A lot of times that works with us kind of acquiring their homebuilding operations, and they become a lot developer. That's worked really well for us in a lot of markets across the country. We continue to work with that program. But we will see more pressure with the higher rate environments and an inflationary cost environment. It does make it more challenging to deliver affordable product to the market today.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

And I think even with our full-year guide of expecting flat-to-down closings this fiscal year, we would expect to continue to consolidate share. Generally weaker market conditions give us an even better opportunity to consolidate share.

Q: Okay. That's very helpful. I'll turn it over.

Operator

Thank you. Your next question is coming from Ryan Gilbert from BTIG. Your line is live.

Q: Hi. Thanks. Good morning, guys. Thanks for taking my questions. First one is on the first quarter 2027 margin guides. And it looks like the consolidated pretax margin is declining on a sequential basis by a fair amount more than gross margin. Is the difference between the two, gross margin down a little over 100 basis points, consolidated pretax down 300 basis points plus just SG&A deleverage in the home building business, or are there other considerations in the other businesses that we should be thinking about?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Yes. SG&A deleverage considering lower ASPs and lower volume is definitely a key factor there as well. And then when we look at the full year and we look at our rental margins right now, we would expect some decline to come from the rental business as well. And that also contributes to the wider range that we are providing because it is a wider range on volume, wider potential range on margins as well as the rental business. Those are the two additional factors beyond the home building gross margin.

Q: Okay. Got it. Understand demand weaker in the quarter. I am wondering just any variations in demand that you saw between your larger, more established markets and the newer markets that you have entered that tend to be smaller that you entered over the last few years. And I am wondering if in the larger markets, the affordability issues and challenges were compounded by supply competition, whereas in some of the smaller markets, there might be not as much supply competition, and so you do not necessarily have that same compounding issue. Just wondering what you are seeing just in terms of variations in demand.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Ryan, we have seen that. In the smaller markets and/or the secondary MSAs where there is just been less buildup of inventory and less competition, we enter those markets and tend to offer an affordable option into the market that may have been absent. And so, those have held up a little better, and we have seen more consistent sales in line with our expectations and budgets compared to some of the larger markets that have been more challenged, more competition, more inventory that is

built up, both either on just the new home market and/or on the resale market. When demand is a little lower, it is a little more challenging in some of those markets.

Q: Great. Thanks very much.

Operator

Thank you. Your next question is coming from Michael Rehaut from Melius. Your line is live.

Q: Thanks. Good morning, everyone. Appreciate you taking my questions. Wanted to first just talk about the broader market dynamics and in particular, resale supply. It has been pointed out over the last month or so by many competitors, an increase in Texas and Florida. And obviously the homebuilders themselves, particularly the production builders, are trying to manage spec, reduce starts, et cetera. But it has been pointed out, I think, that the resale market has been a little challenging from the supply standpoint. So wanted to get your views on that, particularly in Texas and Florida and if there is any other markets that stand out from your view?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

We've certainly seen a little more buildup in inventory, and that does create some competition, but still hasn't been a significant drag on our absorptions. I think more so coming from the increase in rates and a lack of consumer confidence and hesitancy from the buyers. With the buildup of inventory or people staying put in the resale market, it can impact the move-up market a little more, and we've seen that as far as home to sell contingency and people unable to move forward. But although we've seen it tick up some, still not to where we're concerned about it. Ultimately, we need to see that resale market unlock, and as it does that, people start to move, and over time, that's just a normalized market for us, and we're comfortable competing in that environment.

Q: Great. Well, thank you for that, Paul. I guess secondly, certainly the gross margin outlook near term is a little challenged. Wanted to get your sense of in terms of usually at the end of the year, you're trying to close out volumes, and it's an important focal point, and you also want to make sure that you have lighter inventory if it's a weaker market going into the spring, so you can maybe reduce incentives potentially, even in a weak market if you have that inventory flushed out. Do you feel like that's part of the dynamic here in terms of 3Q, 4Q, or is this more of just a market reset to the current demand backdrop?

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

It's certainly reflective of the current market. It's not necessarily indicative of us trying to flush inventory in the fourth quarter. We're just continuing to respond to market conditions. The positive is that our fiscal Q1 December quarter is always our seasonally

slowest time of the year. So to some of Paul's earlier points, I think we are hopeful that as we get into the spring, the setup's a little bit better, at least from a consumer confidence perspective, although we expect interest rates to remain high and our incentive levels to remain elevated as a result. But it's just a function of current market conditions, and that's what it'll continue to be as we move throughout the year, as we adjust, and addresses incentive levels to continue to drive demand.

Q: No, great. Thank you for that, Jessica. Didn't mean to imply Horton trying to flush out inventory, I think it's just more sometimes of a year-end dynamic, so I appreciate that.

Operator

Thank you. Your next question is coming from Rafe Jadrosich from Bank of America. Your line is live.

Q: Hi. Good morning. Thanks for taking my questions. On the delivery guidance, you spoke of how it's a little bit wider range to start the year than normal. Can you just talk about the assumptions, maybe at the high end and low end of that range around absorption pace, community count, and starts? Just of what's sort of embedded in that delivery guidance.

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Well, we have been consistently growing our communities this quarter, sequentially up another 2%. Our divisions are continuing to position themselves to gain market share. From a bottoms-up view of our company, we are positioned to continue to deliver on potential growth. However, the reality of the current environment, where rates are and where sentiment is, our absorptions are slower. Those assumptions for still what we would say probably below normal absorptions continue into our assumptions for the guide.

And just given where rates are, where sentiment is, where demand and consumer sentiment is right now, that's what's driving our guide to flat to down. But in reality, there's a lot of uncertainty there. And so we're providing a wider range because I think there is definitely a wider range of potential outcomes, depending on what market conditions do over the coming months and especially in the spring.

Q: Thank you. That's helpful. And then on the gross margin guidance, I think there was a warranty impact to fiscal 4Q, that was maybe 40 basis points or so. Can you just sort of bridge us from 4Q what the core gross margin would be to 1Q? You've addressed it in your answer to different questions, just sort of what is the core-to-core gross margin guidance and sort of what the bridge and impact is?

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Sure. Thanks for calling that out, Rafe. We've actually had four of the last five quarters have unusual litigation and/or warranty expenses and actually benefit in some of those quarters. But this quarter, we had above normal litigation, not warranty, above normal litigation costs. We had to increase our reserves for two cases that we now believe are going to come in at higher settlements than we previously had reserved for. Our typical run rate in our gross margin is about 40 basis points to 50 basis points, of a negative impact to gross margin for both warranty and litigation. And to your point, this quarter, that was 80 basis points. So it was roughly 40 basis points higher than normal.

Q: Thank you.

Operator

Thank you. Our next question's coming from Adam Kramer from Morgan Stanley. Your line is live.

Q: Hey, good morning. Thanks for the time. Wanted to ask a little bit about capital allocation. I think repurchases this year were about $3.6 billion. You are guiding to $3 billion next year, which is a bit above us. Just wondering sort of how to think about the pace and prioritization of buybacks versus land investments, given sort of the earnings outlook and broader macro outlook.

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Sure. We set our capital allocation and our repurchases based on our projected cash flows. And so there can be some variability quarter to quarter, depending on when we expect the cash flows to be delivered. As you saw this past year, our cash flows were a bit late in the year, so our repurchases were also weighted a bit late in the year. That also coincided with a pullback in our stock, which also contributed to that as well.

But in general, we plan for our repurchases to be relatively consistent. We have maintained flexibility to be opportunistic depending on what the stock price does quarter to quarter. So, no guide specifically as to pacing of repurchases. We are in position to deliver on $3 billion of repurchases over the course of the year.

Really, in terms of then our land investments, it is the same thing. We are out in our communities, either developing lots, buying lots as we need them on a consistent basis. And so there is not necessarily any significant seasonality differences there in terms of the pacing of our land spend. We have a good supply of lots. We are not in a need of either significantly building up our lot supply or reducing our lot supply, so we would expect that to be relatively consistent as well.

Q: Great. Thank you. Then maybe just quickly on sort of noticing the incentive commentary in the release for 2027. That was really helpful. Just thinking about some of the different ways, different incentive forms as well as sort of gross price changes, how are you thinking about each of those? How are you balancing each of those? I

guess sort of what is implied maybe from a 2027 commentary given what you said about incentives specifically.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

There's a lot that goes into that, and ultimately, that's done at a community level. In some communities, that may be more of a focus on rate buydowns. Others, it may be on included features. And in some cases, we need to adjust price, we adjust price, if that's what needs to happen in the market to achieve the returns that we're looking for community by community, we'll do it. So no real significant shift in the incentives that we expect compared to what we've been seeing, just at the continued elevated level like we've seen through the fourth quarter. And we expect to see it remain elevated for the near future.

Q: Thank you.

Operator

Thank you. Our next question is coming from Mike Dahl from RBC Capital Markets. Your line is live.

Q: Morning. Thanks for taking my questions. I wanted to ask first about qualifications. Obviously, traffic and demand lower in light of what happened, but in terms of traffic coming through the door, getting people qualified, I think in the recent past for your buyer cohorts, at least at the lower end, some challenges even getting people qualified a little above five on rates. And now if you're maintaining a 150 basis point spread, you're talking about six-ish on prevailing rates that you're offering. So how have you seen the qualification dynamics play out over the past month or two?

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Certainly, anytime rates move up, that has some part of the buyer cohort that can no longer afford if we're moving our rate up at the same time. But we're continuing to adjust everything we can in our cost structure and our incentive levels to try to get to that price that people can qualify. And we continue to see good quality traffic come through our door. In terms of our closings, our FICO score has remained very high at 720, and continue to have a cumulative loan-to-value of roughly 90%. We always deal with a little bit of fallout when rates are moving up, but at the same time, we have a trade-down buyer who thought maybe they can afford X at one point, but now they can't, and they still need a home, so they're going to come look at D.R. Horton now since we are generally the best value proposition in the market.

Q: Got it. Okay. My second question, I guess is a follow-up to a couple prior questions, but just around the thought process behind the closings guide for the year. And I guess the heart of the question would be why not even wider or lower? Because if I

think about your order trends, if you were down 7% for the quarter and worsened through the quarter, presumably September and then October have been worse than down 7%. Your 1Q closings guide is even at the high end below on a year-on-year basis, below the declines are greater than the low end of your full year forecasted declines.

So it does seem to imply that things need to get better, and I understand not wanting to extrapolate when rates are going up in a straight line, but maybe just a little more elaboration on, to me, given the recent trends, the low end of the guide still assumes some sort of improvement there.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Well, our community count continues to be up significantly, so we do not actually need an improvement in absorptions. Our guide can actually deal with a slightly lower absorption in fiscal 2027 versus fiscal 2026. So we do believe it is very realistic where we sit today. That being said, we will adjust as we move throughout the year, like we always do. The last two years, we have come in with a guide that we have had to lower because the market was not there to support it from a return dynamic. We will do the same thing this year, but to the flip side, we are positioned to do more than that volume if the market were to recover and be there to support it to that extent as well. So we will do what we always do and adjust as we move throughout the year based on market conditions.

Q: Okay. Thanks, Jessica.

Operator

Thank you. Your next question is coming from Paul Przybylski from Wolfe Research. Your line is live.

Q: Good morning. I guess, given Mike's commentary about the land market pricing sticky, what are you seeing from your developer partners? Are they kind of halting their development work and just harvesting what they already have in progress? And if that is the case, I guess, how would you alter your land strategy as they kind of deplete their assets?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

I think they're definitely adjusting deliveries and future deliveries, and we do a very good job, I believe, of communicating with our third-party development partners to make sure that they're managing their business along with ours so that we don't have too many lots out in front of us or out in front of them. We don't need that pressure until we see an increase in the demand environment.

The good news is we have the ability to increase that. We have the entitlements in place, engineering in place in a lot of those. So if we see a stronger spring and a pickup

in the market, we feel good about our lot position and having the lot position in front of us. But that's a daily focus for our teams in the field to work with third-party developers as well as ourselves on future phases to control that lot inventory as best we can.

Q: Okay. I guess, given your geographic expansion over the past five years and your market share consolidation commentary this morning, do you see the current environment as an opportunity to further that geographic expansion into the better-performing secondary markets? Or would you look more to consolidate your existing platform and lever your costs in those markets?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton

I think we always look at both of those, always looking to continue to expand our market share in the existing markets that we're in first. And when we see those opportunities and have the teams in place and the people we need to deploy to those new markets, as we see opportunities, we will continue to stay opportunistic in those markets that we are not in.

Q: Thank you.

Operator

Thank you. Our next question is coming from Susan Maklari from Goldman Sachs. Your line is live.

Q: Thank you. Good morning, everyone. My first question is on the SG&A. You have done a nice job at getting leverage there, despite all the pressures that you are seeing. Can you just talk about the forward outlook in SG&A and your ability to continue to realize that leverage even as things decelerate?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Yes. So it's always an intense focus for our business to be as efficient as we can throughout our SG&A infrastructure. Overall, I believe we've done a good job, but in our culture, never good enough. So it's going to continue to be a focus. It is under a bit of pressure with lower ASPs and with the potential for lower volume, lower absorptions per community, so we're going to continue to manage that. A big focus for us is making sure that we do still maintain and preserve the platform so that we can be flexible and take advantage of opportunities when conditions stabilize. Because they will at some point, and we want to make sure that we're in a great position to take advantage of it.

Q: Okay. That's great color. And then maybe more broadly, there's been a lot of discussion around affordability in general and ways to solve for that, including perhaps newer models or strategies around build to own, build to rent, those kinds

of things. How do you think about the outlook for that, and where some of those things could potentially fit into home building in general over time?

Mike Murray- EVP and Chief Operating Officer, D.R. Horton, Inc.

I think some of the biggest obstacles to affordability are at the local community level, and resistance to development of smaller lots and smaller product that the market frankly wants, but whatever the jurisdiction is, they're not agreeable to allow that product to be built in their jurisdiction. So it creates challenges that puts unnecessary costs that don't add value into the development of the lots or the building of the homes, that are just preventing people from buying houses. So that's our biggest challenge. We face it and we fight it day by day, community by community around the country, of how to get people into homes they can afford, is let the market determine what they want, what they can afford, and then how we can build it at a return that is acceptable to our company.

Q: Okay. All right. Thank you for the color. Good luck with the quarter.

Operator

Thank you. Our next question is coming from Jay McCanless from Citizens. Your line is live.

Q: Hey, good morning, everyone. My first question, could you talk about this impairment in the rental segment and also maybe kind of talk about why you think returns in rental are going to be lower in 2027 than what we saw in 2026?

Bill Wheat - EVP and Chief Financial Officer, D.R. Horton, Inc.

Sure, Jay. We have our portfolio. We have a number of projects that are complete, and our business model is, we merchant build these communities, we lease them up, and then we go to the investment community to buy the projects. In the current environment, with the spike up in interest rates in this last quarter, that had a negative impact on our expected values on a number of those projects, and so that resulted in us needing to scrutinize them for potential impairment, and a subset of our completed projects wound up tripping the impairment.

With the continued expectation for elevated rates, that does have a dampening effect on the potential margins for forward sales as well into fiscal 2027. It is particularly in our multifamily portion of the rental segment. And so that has a negative impact on the margins there. Flip side, as we have talked about prior, our single-family rental communities, we have switched our business model there to a full forward sale model where we are basically having an investor in place before we start the project. We expect returns on the single-family side of our rental segment to be improving over time.

Q: Okay, that's great. Thank you. Just one more, picking on the lot cost question again. Is there any potential reason or benefit with, if this is going to be another rough year from rates, demand, et cetera, for Horton to lean back into being more of a landowner and doing more self-development to maybe help control what's going on with the gross margin? Would love to get some discussion on that, especially, it sounds like a lot of the small builders and developers are having some cash flow problems right now. So it seems if Horton wanted to get deeper in land development, this would be the time to do it.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

With our current lot position, we have that flexibility. For us today, that's just going to be on a community-by-community, deal-by-deal basis. If it's a deal that makes more sense for us to self-develop, I think we're always going to maintain that capacity and ability. We have maintained that in each of our divisions, so we have that flexibility, and there are some instances today where we've done that, and as they arise, we'll do that in the future.

But the land market has, especially in the secondary markets, started to realize what's going on in the market, and so we're seeing some opportunities. But that is community by community and deal by deal. And we remain flexible on our ability to buy developed lots, to work with third-party developers, and/or self-develop if the deal is right for us.

Q: Okay. Sounds great. Thank you.

Operator

Thank you. Our next question's coming from Alex Barron from Housing Research Center. Your line is live.

Q: Yes. Thank you for squeezing me in. In some ways, maybe I'm beating up on a dead horse here, but when D.R. Horton was with us, he was always focused on growth and on being number one. I think, since that time, you guys have been maybe more focused, as the way I perceive it, on balancing units and margins. You have another competitor who's focused only on even flow production, regardless of margins. I'm curious as you guys elaborate on your guidance, how do you see things playing out if rates stay high? What's the way you guys are thinking about it?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Alex, that's a great question. If we look back 12, 13 years, we've been focused on kind of a balancing pace growth with margins to drive to the returns. And that's been the approach and the focus, and it's really been consistent cash flow generation quarter after quarter, year after year. D.R. was here, unfortunately, he passed away a few years ago, but he was here for a large part of that transition, and he was very supportive of it. And in the meantime, we were able to grow and take advantage of market

conditions to aggregate market share when the market was giving it to us. And in the tougher times, we probably did a little better at growing market share, even if absolute growth did not occur for the company. But it's been a consistent focus on returns for the past several years, and we're going to maintain that approach.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

D.R. wanted to be number one at everything, not just volume. He wanted to be the best across any metric we looked at. We had an internal saying, "never enough," because that's really what he always pushed everyone for.

Q: Got it. All right. Well, appreciate it, and best of luck for next year.

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

Thanks, Alex.

Operator

Thank you. Your next question is coming from Buck Horne from Raymond James. Your line is live.

Q: Hey, thanks. Good morning. Appreciate you going into overtime for me. Quick one on external broker commissions. It seems like that number has been actually pretty consistent here recently. But out in the field, just seeing some advertisements of look like some fairly juicy bonus commissions being offered out there. Do you anticipate external broker commissions increasing into fiscal 2027 beyond what we have seen recently? Is that part of the embedded gross margin guide?

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

I think that our overall rate in terms of percentage that we utilize brokers has remained consistent. A big part of our business, since the beginning of the company and today, is that we sell a lot of our homes with the realtor community. When the market's a little tougher, we do see some additional incentives or activities, a higher level of involvement from them, and we lean on that and will continue to but nothing significantly different or any real difference. Pretty much flat with what we've seen in terms of our overall realtor expense assumed in our forward guide.

Jessica Hansen - Senior Vice President, Communications and People, D.R. Horton, Inc.

Yeah, we saw 290 basis points of impact this quarter on our gross margin, which was consistent both sequentially and year-over-year.

Q: Got it. Very helpful. Last one for me. Just looks like you guys are involved in a partnership on this robotics company out in Arizona. Just any comments on kind of the thought on the investment or partnership there and what that may or may not lead to longer term in terms of prefabricated or 3D-printed construction or any other objectives you have with that investment?

Mike Murray - EVP and Chief Operating Officer, D.R. Horton, Inc.

We're always looking for better ways to build homes more affordably. I think that's a pilot program for us in the Phoenix market, looking at some kind of a panelization process. And we're going to watch it really closely, and we're excited for it.

Q: Okay. All right. Thanks, everybody.

Operator

Thank you. That concludes our Q&A session. I'll now hand the conference back to Paul Romanowski for closing remarks. Please go ahead.

Paul Romanowski - President and Chief Executive Officer, D.R. Horton, Inc.

Thank you, Matthew. Congratulations to everyone at D.R. Horton on achieving our 25th consecutive year as America's largest builder by volume. And thank you for a solid year of execution in fiscal 2026. We are honored to represent you on this call, and we look forward to what we will accomplish together in fiscal 2027.

I'd also like to acknowledge Forestar's recent announcement of the retirement of its Executive Chairman, Don Tomnitz. We congratulate Don on his incredible career at both Forestar and D.R. Horton, and we thank him for his many contributions to both companies over the past 40 years. Don's service to Forestar over the past nine years has helped establish a strong foundation for its future as a leading supplier of finished lots to the home building industry.

We appreciate everyone's time on the call today and look forward to speaking with you again to share our first quarter results on Tuesday, January 19th.

Operator

Thank you. Everyone, this concludes today's event. You may disconnect at this time, and have a wonderful day. Thank you for your participation.